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The road to buying back your credit

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MAKES IT EASY

PAGE 2



INSIDE
THIS
ISSUE

4

Buyback Centre
New iAccess Web tools

5

Are you a new teacher?
3 things you need to do

7

You asked us...
Your questions answered

8

News briefs
Win a \$100 gift card

The road to buying back your credit

Meghan Haag has a lot on her mind these days. Aside from getting used to a brand-new class of energetic Grade Six students, the Toronto District School Board teacher is also expecting her first child next March. She's heard some of her colleagues talk about "buying back" her absence but she's not quite sure what might be involved.



Meghan and Stefan Haag know how important it is to maximize her pension.

WHAT ARE THE BENEFITS?

The benefit of buying back an absence is significant. Meghan can maximize the actual time (years, months and days) she has contributed to her pension through a buyback. Simply put, the more credit she accumulates, the greater her pension. Missing a year's credit now means one less year of credit when calculating her pension. She may even be required to work longer to reach her 85 factor.

"I'm anxious to learn more about how a buyback can work for my family," says Meghan. "My husband is self-employed, so we will be relying on my pension when we retire. We want to build a house up north one day, so it's important for us to maximize my pension."

Let's follow Meghan through the steps she'll take as she thinks about buying back. Keep in mind that no two buyback experiences are the same, and Meghan's path, although typical, is unique to her situation.

TO BUY BACK OR NOT TO BUY BACK?

Before she lets her employer know about her upcoming maternity leave, Meghan goes online to iAccess Web, the secure member website. All of the tools and personalized information she needs can be found in her online Buyback Centre. She can use the Buyback Calculator to see what she might expect to pay to buy back her absence. She only needs to enter the start and end dates of when she will be away.

Meghan decides that buying back is a possibility worth considering. But what does she do next to get the ball rolling?

WHO NEEDS TO BE INFORMED?

Meghan lets her employer know she is taking a maternity leave, and her employer sends this information to us. From this point on, she can relax and let us do the work and calculations for her. We contact Meghan by e-mail to let her know that a buyback opportunity exists in her iAccess Web Buyback Centre.



WHAT'S THE COST?

Meghan signs into *iAccess Web*. Her Buyback Centre displays her upcoming leave, as well as the estimated cost, payment options, tax implications and deadlines. She can also see the expected benefit to her future pension and the earliest possible date she can retire with an unreduced pension—with and without the buyback.

"I'm one of those people who is horrible with numbers, but if someone shows me precisely what my options are and how much I owe, it really helps my level of understanding," Meghan reveals. "I think having the *iAccess Web* Buyback Centre is great because it does the calculations for me."

After reading through the website and becoming more buyback-savvy, Meghan decides that yes, she and her husband can afford to buy back her year's maternity leave within the five-year deadline (once Meghan's leave ends, she has five years to pay for her buyback).

HOW TO PAY?

March 2011: Meghan gives birth. Once she is on leave, we provide her with a confirmed buyback cost (approximately 45 days after her leave's start date). She can now begin to pay for her buyback. Meghan opts to put a lump sum towards her buyback—not the full amount, but it's what she's saved so far—by arranging an

electronic bill payment through her bank. She still has a small amount left to pay, and interest will begin to be charged only when her leave ends in March 2012.

WHAT ABOUT TAXES?

Flash-forward to January 2013. Meghan's leave ended almost a year ago, and there is still a balance outstanding on her buyback. We send her an e-mail asking if she intends to buy back her leave in full. Informing us of her intent to buy back will secure Meghan's eligibility to receive a pension adjustment (PA) for the leave, as opposed to a past service pension adjustment (PSPA). This means that her buyback will not be conditional on her having sufficient RRSP room, something that the Canada Revenue Agency (CRA) must approve. Meghan wants to avoid the complication of CRA approval and decides to provide her intent to buy back by calling one of our Pension Benefits Specialists.

Meghan's current RRSP contribution room will be reduced by the amount of her pension adjustment (PA). This reduction is permanent, even if she subsequently decides not to complete the buyback. For more details, please read *Tax implications of buying back credit*, available in the Member Reference Library at www.otpp.com. ■

WHAT ABOUT RRSPS?

Meghan elects to use her RRSPs to pay off the remainder of her buyback. She downloads the *Direct Transfer Form* (T2033) from *iAccess Web*, fills it in and takes it to her financial institution.

Meghan's financial institution completes the form and sends it to us, in addition to the funds needed for her transaction. And with that, Meghan's buyback is complete.

"Most teachers think that buying back is complicated," says Meghan. "But the pension plan has made the process really easy and efficient, so I don't have to feel lost or confused along the way. I'm really happy that I have the opportunity to do something that will benefit my family in the future."

WHAT IF?

What if Meghan doesn't declare her intent to buy back, and what if the remainder of her buyback is not paid by January 2013? Meghan has until March 2017 to complete her buyback. Before the deadline, we remind her of this approaching date. If she chooses to pay off her buyback, a PSPA will be issued and she will need approval from the CRA before the remainder of her buyback can be permitted. If she chooses not to pay off the rest of her buyback, she forfeits the remainder of the opportunity, but she receives credit for what she has already purchased. ■



On Sept. 1, 2010, several plan enhancements were enacted to make it easier and more convenient for members to buy back an absence in education. For more information, check out the Buybacks section in the Member Info tab of our website at www.otpp.com.

iAccess Web makes buying back easier

If you've checked out iAccess Web recently, you would have noticed a big change under your "My Buybacks" tab: that's right, we've completely changed and improved the way buybacks are seen, calculated and processed online.



MY BUYBACK CENTRE

Here's where you will find up-to-date information on leaves of absence your employer has reported to us and the buyback opportunities you may have, including the ones for which you are in the process of paying.

FAMILIAR FAVOURITES AND NEW FEATURES TOO

Buyback statement

How much interest have you paid, if any? How much more do you owe? What are your deadlines? Your buyback statement shows what payments we've received from you and how we've applied them against the cost of your buyback.

You can even print out your statement and include it along with any payments you send to us.

Buyback Calculators

If you're just thinking about taking a leave of absence, you can use a Buyback Calculator to try out different scenarios to see how your pension could be affected by a future leave of absence. You

can do this even if you haven't been approved for an absence—you just need the start and end dates of your leave. If you have been approved for a future leave or if you've already taken one, you can also use a Buyback Calculator to obtain an initial cost estimate.

Buybacks 101 and more

Learn about the basics and get answers to some of the most common questions teachers have regarding buying back. Find out how to pay, when to pay, and how buying back could affect both your RRSPs and your taxes.

Important dates

Get an overview of the important dates and deadlines you'll need to consider during the life of your buyback. Don't worry, you won't have to remember any of these dates; we'll contact you to let you know if there's anything you have to do.

If you're still not registered for iAccess Web:

1

Call **416-226-2700** or **1-800-668-0105**, weekdays from 8 a.m. to 5:30 p.m. or

2

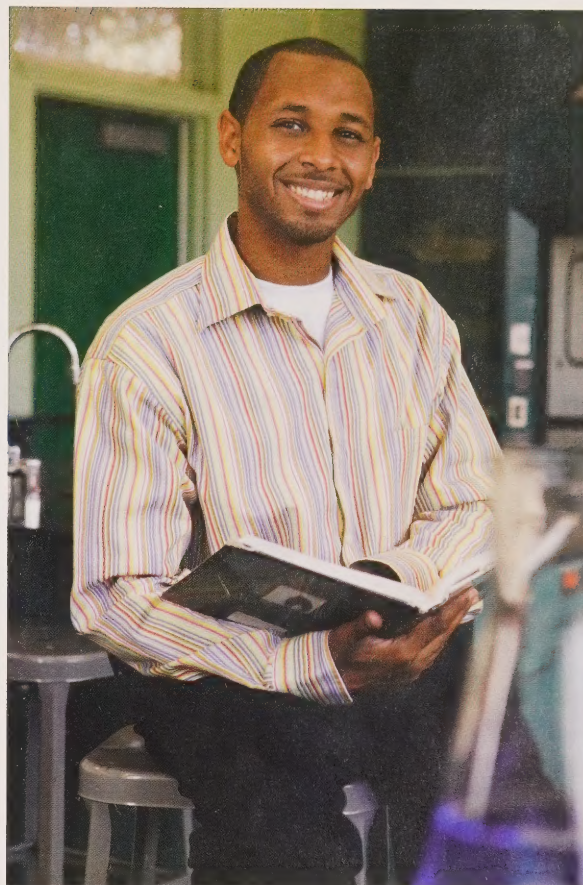
Download and complete the registration form at **www.otpp.com**. Just follow the link from the homepage.

Are you a new teacher?

Have you caught your breath yet?

With more than a month of teaching under your belt, the exhilaration of starting your teaching career has likely taken a back seat to over-excited kids, lesson plans and marking assignments.

While managing your classroom and students is probably your sole focus right now, why not take a few minutes to get some personal matters taken care of too?



TOP 3 THINGS

As a new member of the plan, the first thing you likely noticed when it comes to your pension is the deduction on your pay statement. Until something in your life happens that will affect your personal status or employment situation, there really isn't a lot you need to do. To keep informed and to be ready for that day when you do need us, we encourage you to do the following:

1 REGISTER FOR iACCESS WEB, THE SECURE MEMBER WEBSITE

"This is the one key thing you should do," says Michael McAllister, Director, Client Services. "iAccess Web provides you with tools and a wealth of information at your fingertips. You can set all your preferences, download forms and eventually use the Pension

Calculator to see when you can retire, and with how much pension."

To register, call 416-226-2700 or 1-800-668-0105, weekdays from 8 a.m. to 5:30 p.m. or download and complete the registration form available at www.otpp.com. Just follow the link from the homepage.

2 DESIGNATE A BENEFICIARY ONLINE

Every member of the plan should consider designating a beneficiary. This will help ensure that your benefits are paid as you wish should you die before you start your pension. Your beneficiary can be one or more people or a corporation, such as a charity. You can designate your beneficiary online at iAccess Web, in the My Profile section.

3 PICK YOUR COMMUNICATION PREFERENCES

Would you like to go paperless? Go online to iAccess Web and click on My Preferences. Here, you can set your communication preferences to receive our communications, newsletters and other information electronically.

Once you've done this, you can rest assured that you won't miss any important information or deadlines relating to your pension benefits.

Did you know?

Over 8,200 new members joined Teachers' during the 2009-2010 school year.

Sustainability Working Group releases final report

Last year, we told you about the Sustainability Working Group that was formed in order to study ways to keep the Teachers' plan secure and affordable well into the future. It included representatives of the Ontario Teachers' Federation (OTF) and the Ontario government, which jointly sponsor the pension plan, and pension plan management.

The Teachers' pension plan continues to face funding challenges because plan liabilities (the projected cost of future pensions) are growing faster than plan assets. This has resulted in recurring funding shortfalls, including a preliminary shortfall of \$17.1 billion reported at the beginning of 2010.

The Sustainability Working Group examined ways to deal with these recurring funding shortfalls, including making refinements to the processes associated with the plan's valuation. These refinements, published in the Group's final report released in September, recommend the following:

1. An independent review of the rate of return assumption (also known as the discount rate) that is used to estimate the cost of teachers' pensions. This review will be triggered if a valuation shows the pension plan has a projected funding shortfall based on an assumed real (after inflation) rate of return of less than 3.575 per cent.
2. Formal annual consultations between the plan sponsors (OTF and government) and pension plan management; and
3. A review of options, including possible changes to contribution and benefit levels, if a future valuation shows a projected funding shortfall in the pension plan.

NEXT STEPS

If the funding shortfall persists, measures must be taken to eliminate it before the next funding valuation is filed with the provincial pension regulator. The next regulatory filing is due in 2012, but the OTF and government could choose to file voluntarily before then.

To eliminate a funding shortfall, the OTF and government can:

- increase contribution rates;
- invoke conditional inflation protection for pension credit earned after 2009;
- reduce pension benefits members will earn in future years; or
- adopt a combination of these options.



The value of pension benefits already earned by working and retired members cannot be reduced under current law.

More information

Visit www.FundingYourPension.com to:

- Read the Sustainability Working Group's detailed final report
- Watch presentations on key funding matters
- Access other funding updates

Funding information is also available on our website at www.otpp.com.

You Asked Us...



Q: Will I get group benefits, such as dental and health insurance, from the pension plan when I retire?

A: No, by law the money in the pension fund cannot be used for such purposes.

If you don't receive health benefits from your former employer, three independent plans provide supplementary medical coverage for Teachers' members. One is offered by Retired Teachers of Ontario (RTO/ERO) through Johnson Inc. and two are offered by the Ontario Teachers Insurance Plan (OTIP). Premiums for these plans can be deducted from your pension payment. Please contact your insurance representative directly for details or to arrange coverage.

Q: Will my adult disabled child qualify for survivor benefits?

A: If you don't have an eligible spouse, your adult child may qualify for a survivor pension if he or she is disabled, having been disabled since the date of your death and financially dependent on you when you die. No two cases are alike, so call us if you have questions.

Q: Can I return to teach after I retire and still collect a pension?

A: Currently, you can return to work in education without affecting your pension for up to 95 days in each of the first three school years in which you return to work (these don't need to be consecutive years) and 20 days each school year after that.

The rules will change on Sept. 1, 2012: after this date, you will be able to work 50 days per school year. If you continue to work the month after you exceed the limit, your pension will be suspended for as long as you work. You are still required to track your days and contact us if you exceed the limit.

Q: I've already been medically pre-approved for a disability pension. How long is this pre-approval valid?

A: Your pre-approval is valid for one year from the approval date. But you still must apply for your disability pension within two years of resigning due to your disability. If your pre-approval period has expired and you are still within your two-year resignation date window, you must seek pre-approval again. Don't forget that eligibility for disability benefits is established as of the date you terminated employment in education. Any worsening of your medical condition since that time is not taken into account.

Q: What are the deadlines I should be aware of if I want to increase my survivor benefit?

A: Provided you have an eligible spouse, you should indicate if you want a survivor pension higher than the automatic 60 per cent survivor pension before the pension application process. If you want to increase your survivor pension to 65, 70 or 75 per cent of

your pension, you should apply to do so at least two years before your pension starts, or before age 63, whichever is earlier. If you miss this deadline, you may still be eligible. As part of our eligibility process, you will need to submit your election to increase the survivor pension and provide us with a medical examination report before your pension begins. If we determine you are in good health for your age we will use this information to help us confirm your election.

Q: I am married to a teacher, and we both receive copies of *Pensionwise*. Is there any way for us to receive one copy of your newsletter for our household?

A: Yes, call one of our Pension Benefits Specialists at 416-226-2700 or toll-free at 1-800-668-0105, Monday to Friday, 8:00 a.m. to 5:30 p.m. You can also arrange to receive this newsletter electronically. Call us or sign into *iAccess Web* to change your communication preferences.

Q: When will I get my annual pension statement?

A: If you are not registered for *iAccess Web*, you should receive your Personal Statement of Pension Benefits by the end of November. If you are registered for *iAccess Web*, you can access an interactive statement right now. ■

Update your profile to win a \$100 gift card



Whether you want to change your telephone number or enter a new

e-mail address, your My Profile page is available for you to update at any time on iAccess Web, the secure member website. If you change your personal information before Dec. 31, 2010, your name will be entered to win one of five \$100 Cadillac Fairview shop! gift cards.

"It's important to keep your profile up to date," said Michael McAllister, Director, Client Services at Teachers'. "If your personal information is accurate, we can let you know about important pension plan updates as quickly as possible."

If you haven't registered for iAccess Web, consider signing up by calling 416-226-2700 or 1-800-668-0105. You

can also complete the registration form at www.otpp.com.

Winners will be selected by random draw and contacted by telephone. One entry per person.

New Cadillac Fairview CEO announced



Teachers' wholly owned subsidiary, Cadillac Fairview, announced that John Sullivan, the company's Executive Vice-President, will succeed Peter Sharpe as CEO, effective

Jan. 1, 2011. Mr. Sharpe will retire after 26 years of service, the past 10 as CEO. "Peter has played an invaluable role in Cadillac Fairview's success and its important contribution to Teachers' asset base," said Neil Petroff, Teachers' Executive Vice-President, Investments.

continue to view telecom, media and technology as important and exciting sectors that we are well positioned to invest in going forward," said Mr. Petroff.

Teachers' sells 10 per cent of Maple Leaf Foods

In August, Teachers' sold approximately 10 per cent of its shares in Maple Leaf Foods Inc. (MFI). "While we have been a long-term and supportive investor of MFI, this sale opportunity was in the best interests of the fund and our members, on whose behalf we invest," said Neil Petroff, Executive Vice-President, Investments. He added, "We will still consider all of our options with respect to our remaining MFI shareholdings, but our current intention is to work with the company to maximize the value of our investment."

For more investment news, check out the "What's New" section at www.otpp.com.

Michael Wissell to sit on new OSC Panel

Michael Wissell, Teachers' Senior Vice-President of Tactical Asset Allocation, has been appointed to the Ontario Security Commission's newly formed Investor Advisory Panel. Michael was one of seven members selected from 117 applicants to sit on the panel. The panel will provide investor input on proposed rules, policies and other OSC work. ■

Pensionwise™ is published for members of the Ontario Teachers' Pension Plan.

We appreciate your comments about anything you read in *Pensionwise*. Please e-mail member_communications@otpp.com

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